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TAGS: [ETRD](#) [ETTC](#) [IR](#) [VE](#) [SP](#) [FR](#) [SZ](#) [IT](#)
SUBJECT: FINMECCANICA EXPORTS TO IRAN AND VENEZUELA: THE
YEAR IN REVIEW

REF: A. ROME 3300
[1](#)B. STATE 196649
[1](#)C. STATE 194199
[1](#)D. ROME 2034
[1](#)E. ROME 2032
[1](#)F. ROME 1996
[1](#)G. ROME 1915

Classified By: Ecmin Tom Delare for reasons 1.4 (b) and (d)

[1](#)1. (U) This is an action request. Please see paragraph 9.

[1](#)2. (S) In a December 21 meeting requested by Finmeccanica, the major Italian defense and aerospace conglomerate, company officials reviewed the status of their engagement with Iran and Venezuela. They noted that Finmeccanica is not pursuing the sale of air traffic control systems to Iran and, in regard to reports that Finmeccanica might have transferred 76mm naval guns to Iran, our contacts said the company has not sold military equipment to Iran since 1979. They cautioned, however, that Navantia, an Oto Melara licensee, might build and export 76mm guns to Venezuela without Oto Melara's assistance. The Finmeccanica reps restated company policy of seeking USG approval before entering into contracts in states of concern or in cases where the USG might object for foreign policy reasons. They also stressed that Finmeccanica's policy has caused it to lose sales and be subject to retaliation. In recognition, Finmeccanica requested that it receive "compensation" in the form of favorable treatment when bidding on USG contracts. End summary.

Iran

[1](#)3. (S) Camillo Pirozzi, Head of Finmeccanica's Public Affairs and International Relations Office, and Simone Bemporad, Finmeccanica Senior Vice President for Media Relations and International Affairs, called upon EcMin December 21 to review the status of company engagement with Iran and Venezuela. Pirozzi told Ecmin that following discussions with the Department of State in Washington, Finmeccanica decided not to pursue the sale of four air traffic control (ATC) systems to Iran (Ref C). Bemporad added that he understands French company Thales will fill the ATC contract. Regarding other reports (Ref B) that Finmeccanica might have transferred 76mm naval guns to Iran, Pirozzi said Finmeccanica has not sold military equipment to Iran since [1](#)1979.

[1](#)4. (S) Bemporad told Ecmin the MFA contacted Finmeccanica following a demarche (ref A) by Econ Counselor regarding the

alleged sale by Finmeccanica's Oto Melara subsidiary of 76mm naval guns to Iran. Given that no recent sales have been made, Bemporad speculated the guns in question may have been sold to the Iranians in the mid-1970's. Citing Finmeccanica's policy of cooperating with the USG on export control matters, Bemporad emphasized the company's desire for a "transparent" relationship with the USG and its willingness to discuss any sales regarding which the USG has concerns.

Venezuela

15. (S) Bemporad reiterated Finmeccanica's decision (reported ref E) not to sell 76mm naval guns to Venezuela. However, he said that other firms, including Navantia, a Spanish company, and Swiss company Oerlikon are in competition to win the contract for guns to be installed on patrol boats being built by Navantia for the Venezuelan Navy. Bemporad said that Navantia holds a license from Oto Melara to build the 76mm guns, and that Navantia can fill the order without assistance from Oto Melara. (Note. This is contrary to ref A assurances we received from GOI, that Navantia could not manufacture the guns without assistance from Oto Melara. End note.) He added that if Navantia wins the sub-contract for the guns, Oto Melara will provide Navantia with gun components if the GOI issues the needed export licenses. As reported earlier (ref A), it is stated GOI policy not to approve exports that will give the GOV "new weapons" or "new capabilities."

16. (S) Bemporad said that Oerlikon is already selling its "Millennium Gun" to Venezuela. He noted the Millennium Gun has similar capabilities to the 76mm gun produced by Oto Melara and Navantia, and that both the Oto Melara/Navantia gun and Oerlikon's Millennium Gun have been proposed for use

in the U.S. Navy's Littoral Combat Ship.

The High Cost of Playing By The Rules

17. (S) Bemporad and Pirozzi cited Finmeccanica's decisions not to pursue the sales of ATC systems to Iran and the sale of 76mm guns to Venezuela as examples of instances in which the company's policy of consulting with the USG, going beyond the requirements of Italian export control laws, has cost Finmeccanica millions in revenues. Bemporad and Pirozzi estimated the lost ATC sales were worth 25 million euro (33 million dollars), while the sale of 76mm guns to Venezuela was valued at 50 million euro (66 million dollars). In addition to lost revenues, Finmeccanica's decisions to forego these sales have impeded its efforts to establish a presence in South America and the Middle East. Bemporad also alleged the Iranian government has retaliated against other Finmeccanica businesses in Iran, delaying payments and creating bureaucratic obstacles for Finmeccanica sales of power generation equipment in Iran.

18. (S) Bemporad explained that Finmeccanica is willing to forgo sales to which the USG objects because of the value of the business that Finmeccanica has with the USG. That said, for individual Finmeccanica subsidiaries, the value of the business being lost is considerable. Bemporad and Pirozzi estimated that the loss of ATC sales to Iran cost Finmeccanica's Selex subsidiary ten percent of its annual revenues. Bemporad asked if there is a mechanism through which Finmeccanica and its subsidiaries can be recognized for their efforts to work with the USG on export control issues, recognizing that Finmeccanica adheres to U.S. export control laws even when they do not apply, as in the case of the ATC sales to Iran. Specifically, he asked if there is a way in which Finmeccanica can receive "credit" for its cooperation with the USG when it bids on USG contracts. Ecmin agreed that we do not want to see less scrupulous companies profit from Finmeccanica's adherence to U.S. export control laws, as Thales has allegedly done in Iran, and said he would pass Bemporad's question regarding receiving credit for adhering to U.S. export control laws on to Washington.

19. (S) Comment and action request. Post requests Washington guidance as to whether a mechanism exists through which Finmeccanica's policy of consulting with the USG on export control matters and adherence to U.S. export control laws is recognized. While Finmeccanica does not come to the table with an unblemished track record (Ref D reports their decision to sell TETRA radios to Iranian police forces, for example) they do generally make a genuine effort to be transparent with the USG and have declined to make exports, even when legal under Italian law, when the USG objected. End comment and action requested.
BORG